

**VERMONT PENSION INVESTMENT COMMITTEE**  
**March 26, 2013**

**VPIC Members Present:**

STEPHEN RAUH, CHAIR

BETH PEARCE, VICE-CHAIR, Vermont State Treasurer – via telephone

VAUGHN ALTEMUS, Governor’s Delegate, term expiring June 30, 2014

ROBERT HOOPER, VSERS Representative, term expiring June 30, 2016 – via telephone

DICK JOHANNESSEN, Governor’s Delegate, term expiring June 30, 2014

STEVEN JEFFREY, VMERS Representative, term expiring June 30, 2014

JOSEPH MACKEY, VSTRS Representative, term expiring June 30, 2015

**VPIC Member(s) Absent:**

None

**VPIC Alternate Members Present:**

THOMAS GOLONKA, VMERS *Alternate*, term expiring June 30, 2016 – via telephone

KEVIN GAFFNEY, VSERS *Alternate*, term expiring June 30, 2016

**VPIC Alternate Member(s) Absent:**

THOMAS MCCONNELL, VSTRS *Alternate*, term expiring June 30, 2013

KAREN PAUL, *Alternate* Governor’s Delegate, term expiring June 30, 2016

**Also attending:**

Stephen Wisloski, Vermont State Deputy Treasurer

Matt Considine, CFA, Director of Investments

Katie Green, Investments Manager

Jaye Pershing Johnson and Bill Griffin, Attorney General’s Office

Richard Charlton, Chris Levell, Doug Moseley and Richard Pszenney, NEPC LLC

Joel East, JP Morgan

Tom Boswell

Monica Chiren, Clerk

**CALL TO ORDER:**

The Chair, Mr. Rauh, called the Tuesday, March 26, 2013 meeting to order at 8:30 a.m., which was held in the 4<sup>th</sup> Floor Conference Room, 109 State Street, Montpelier, VT.

**ITEM 1:      **Agenda Approval, Announcements, Minutes of February 26, 2013  
Regular Meeting****

The Chair, Mr. Rauh, briefly reviewed the agenda. Mr. Mackey indicated he would like to attend the Public Funds Summit Conference in July. Mr. Mackey indicated the cost would be no more than \$2,500.00.

**On a motion by Mr. Johannesen, seconded by Mr. Jeffrey, the Committee unanimously approved Mr. Mackey's request to attend the Public Funds Summit Conference in July along with a cost of \$2,500.00.**

Mr. Rauh reminded the Committee members the NEPC conference is coming up and that if they are going to attend the NEPC conference they would need to register and then contact Mr. Considine to arrange the hotel arrangements.

**On a motion by Mr. Jeffrey, seconded by Mr. Mackey, the Committee unanimously approved the minutes of the February 26, 2013, Regular Meeting, as submitted.**

**ITEM 2: Director of Investments Report and Action Items**

**• Review February Flash Report**

Mr. Considine indicated as of February 28, 2013 the total VPIC assets under management were \$3.672 billion, unchanged from January 31, 2013. Mr. Considine indicated as of March 29<sup>th</sup> the VPIC's portfolio allocation is projected to be 34.1% equities, 34.2% fixed income, 11.6% alternatives and 20.1% multi-strategy, compared to target allocations of 31.5%, 35%, 13.5% and 20% respectively. Mr. Considine indicated he will work on a way to keep track of what the Committee had approved as the total allocation for alternatives/private equity. Mr. Considine reviewed with the Committee members the asset allocations by manager and asset class. Mr. Considine provided manager updates for Allianz, AQR and Grosvenor. Mr. Considine and Ms. Johnson reviewed with the Committee the contracts that would need to be voted on this quarter.

(Mr. Charlton arrived during this agenda item.)

**On a motion by Mr. Jeffrey, seconded by Mr. Johannesen, the Committee unanimously approved to authorize the staff to proceed on the contracts and that the final contracts will be put on the April agenda for approval by the Committee.**

Mr. Considine indicated the proxy voting contract has been signed by Mr. Rauh who was authorized by the Committee to do so.

Mr. Moseley reviewed with the Committee the February Flash Report and responded to any questions posed by the Committee.

**ITEM 3: Discussion Items/Updates**

- Vermont State Treasurer's Update**
- Contract Updates**
- Proxy Voting Guidelines Sub-Committee Update**
- NEPC Investment Manager Watch List Update: Post Advisory**

Ms. Pearce indicated to the Committee the pension bills are progressing through this legislative session without a problem. Ms. Pearce indicated the divestment bill did not come out of committee so it is not going forward at this time.

Ms. Johnson indicated they have already discussed the quarterly contracts.

Ms. Green reviewed with the Committee the *Summary of Domestic Proxy Policy Change Recommendations* document. It was decided the proxy voting guidelines sub-committee would meet one more time and then provide the Committee a final version of the document at the April or May meeting for Committee action.

Mr. Moseley indicated it has already been decided by the Committee that when they review managers they will make a decision about Post Advisory.

**ITEM 4:      Asset Allocation Work Plan**

- **Consider Increased Allocation to Real Estate**
  - **Source of Funds – Equities**
  - **Implementation Steps**
- **Role of Specialized Indices**

NEPC reviewed the *Real Estate Allocation and Pacing Discussion* document with the Committee. NEPC reviewed with the Committee options VPIC had available in order to increase their exposure to real estate. The Committee members discussed the options. NEPC responded to all the questions posed by the Committee members. It was decided NEPC would profile real estate debt managers for the May meeting.

The Committee decided the discussion concerning the specialized index funds would be deferred until the May meeting.

**ITEM 5:      Economic and Financial Market Dashboard**

The Chair, Mr. Rauh indicated they would move the dashboard report up on the agenda. Mr. Considine reviewed with the Committee the economic and financial market dashboard. The Committee discussed the positive and negative factors on the economic and financial market dashboard.

(A luncheon recess was taken from 12:00 p.m. to 12:45 p.m.)

(Mr. Griffin entered the meeting after the luncheon recess.)

(Mr. East, Mr. Charlton, Ms. Pearce, Mr. Golonka and Mr. Hooper were not present after the luncheon recess.)

**ITEM 6:      VPIC Policy Discussion**

- **Environmental, Social & Governance Investment/Divestment Policy**
- **ESG Integration with Proxy Voting Policy**

The Chair, Mr. Rauh, indicated the intent of this agenda item was to develop a more comprehensive policy. The Committee reviewed the *Economically Targeted Investment Program* policy and provided their recommendations for revisions. It was decided staff would provide the Committee with a draft incorporating the suggestions of the Committee at the April meeting and the final version would be voted on at the May meeting.

**ITEM 7: Public Comment/New or Other Business**

Mr. Boswell indicated it was a pleasure to attend today's VPIC meeting and indicated that he felt VPIC progressively managed the portfolio.

**ITEM 8: Adjournment**

**On a motion by Mr. Jeffrey, seconded by Mr. Johannesen, the Committee unanimously moved to adjourn at 1:35 p.m.**

Respectfully submitted,

Monica Chiren, Clerk